

PUBLIC DISCLOSURE

(JULY 1, 1996)

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**MINERS BANK OF LYKENS
DSBB - 03424266000
LYKENS, PA**

**FEDERAL RESERVE BANK OF PHILADELPHIA
TEN INDEPENDENCE MALL
PHILADELPHIA, PA 19106**

Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Miners Bank of Lykens prepared by the Federal Reserve Bank of Philadelphia, the institution's supervisory agency, as of July 1, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.

The rating is based upon: (1) the institution's volume of loans in relation to deposits, (2) the majority of the institution's loans were in its assessment area, (3) the geographic distribution of loans reflected a reasonable distribution throughout the institution's assessment area, and (4) a reasonable distribution of loans to borrowers of different income levels.

DISCUSSION OF INSTITUTIONS PERFORMANCE

The following table indicates the performance level of MINERS BANK OF LYKENS with respect to each of the five performance criteria:

SMALL INSTITUTION ASSESSMENT CRITERIA	MINERS BANK OF LYKENS PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	NO COMPLAINTS WERE RECEIVED SINCE THE PRIOR EXAMINATION		

DESCRIPTION OF INSTITUTION

Miners Bank of Lykens (MBL) operates one full service banking office that is located in the Borough of Lykens, in northeast Dauphin county, Pennsylvania. The office is approximately 40 miles northeast of Harrisburg (Pennsylvania's state capitol), in a rural community that is somewhat geographically isolated by mountainous terrain. The institution has been serving the citizens of northern Dauphin County since 1872. MBL targets its credit and deposit products to a retail market within a relatively small assessment area of 79 square miles, and prides itself in developing and maintaining close personal relationships with its customers.

Miners Bank of Lykens owns one automated teller machine (ATM) that is part of the national, Money Access Card (MAC) system, located in a shopping center approximately one-quarter mile from the bank. MBL is open Monday through Saturday and has hours 8:00 a.m. to 4:30 p.m. Monday through Wednesday; 8:00 a.m. to 5:00 p.m. Thursday; 8:00 a.m. to 7:00 p.m. Friday; and Saturday the bank is open 9:00 a.m. to 12:00 noon.

Miners Bank of Lykens (MBL) offers a variety of conventional loan and deposit products. Total loans accounted for approximately 38% of the bank's assets at year-end 1995. Consistent with the bank's retail nature, the loan portfolio is primarily comprised of home mortgage loans. Since the previous examination, MBL originated 348 loans; 299 or 86% were consumer purpose, 38 or 11% were mortgages, and 11 or 3% were commercial and industrial loans. This loan composition is reflective of the loan demand within the assessment area. Management indicated that the demand for commercial loans has been decreasing, and that the bank has shifted its marketing focus to address local consumer credit needs.

DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)

DESCRIPTION OF INSTITUTION (continued)

The composition of MBL's loan portfolio over a three-year period is detailed in the following chart. The chart also reveals some growth in the volume of consumer and home equity loans:

LOAN TYPE (thousand)	12/31/95	%	12/31/94	%	12/31/93	%
Commercial & Industrial Loans	\$402	4	\$477	5	\$547	5
Commercial & Multi-Family Real Estate Loans	388	4	318	3	263	3
Consumer Installment Loans	1,381	13	1,232	12	997	10
Real Estate Construction Loans	0	N/A	0	N/A	133	1
Open-end Home Equity Credit	201	2	180	1	114	1
Home Mortgage Loans	7,651	74	7,866	75	7,923	77
All other Loans	363	3	369	4	361	3
Total	\$10,386	100.0	\$10,442	100.0	\$10,338	100.0

DESCRIPTION OF ASSESSMENT AREA

The bank describes its assessment area and its primary lending area as comprised of a five-mile radius from the borough of Lykens. This radius encompasses portions of five census tracts: 248, 249, 250, 251, and 252, which are situated within the Harrisburg/ Lebanon/ Carlisle Metropolitan Statistical Area (MSA). Based on data compiled by the U.S. the Department of Housing and Urban Development (HUD), the bank's assessment area contains one low- to moderate- income census tract. Essentially, the assessment area is a former coal mining community, comprised primarily of single-family residential units, several retail stores, and four manufacturing firms. According to management and the community contacts interviewed, most of the residents in the bank's assessment area commute to jobs within the Harrisburg area. These jobs include employment by the region's largest employer, the Pennsylvania state government, and service-sector employment in large retail stores in the Harrisburg area.

Based upon 1995 HMDA Analysis Reports, the population within the bank's assessment area has the following demographic income components :

	Number	Percent
Market Population:	12,623	100.0%
Low-to moderate-income:	3,327	26.4%
Middle income:	9,296	73.6%
Upper Income:	0	0.0%

(L/M designates low- to moderate-income)

DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)

DESCRIPTION OF ASSESSMENT AREA (continued)

Approximately 26% of the bank's market population is low- to moderate-income, while the majority, 74%, are middle income. The following data reveals the largest age group within the bank's market population to be individuals of age 18 to 59, followed by the 5 to 17 year-old population. Notable however, are the age groups over 60, which, combined represent 21% of the assessment area population.

Miners Bank Of Lykens Assessment Area - Age Distribution:					
Total market population:	Age group: 0-4	5-17	18-59	60-64	65+
Percent of persons:	6.2%	18.8%	53.8%	5.9%	15.3%

Source: Pennsylvania State University Data Center, 1990 U.S. Census

According to management, MBL is the only bank in Lykens that provides a facility through which persons receiving public assistance can obtain government food stamps. Management indicated that the bank has provided this service to low-to moderate-income persons of the community in response to an identified need. MBL encourages low income persons to become customers and views this segment of the community as a source of business. Over the past two and one-half years, MBL has issued over one-half million dollars in food stamps as indicated in the following chart:

Miners Bank Of Lykens Food Stamps Issued		
1994	1995	1996 (six months)
\$ 232,828	\$ 217,956	\$ 101,075

Source: Miners Bank of Lykens

LOAN TO DEPOSIT RATIO

The following data depicts the institution's quarterly loan-to-deposit ratios since the previous examination. It also presents an average loan-to-deposit ratio. The average loan-to-deposit ratio is derived by adding the quarterly loan-to-deposit ratios and dividing by the number of quarters since the previous evaluation.

As of	Net Loans(thousands)	Deposits(thousands)	Ratio
12/31/94	\$10,339	\$23,992	43.09%
3/31/95	\$10,352	\$24,131	42.90%
6/30/95	\$10,541	\$24,501	43.02%
9/30/95	\$10,547	\$24,447	43.14%
12/31/95	\$10,276	\$24,204	42.46%
3/31/96	\$10,129	\$24,859	40.75%
Loan to Deposit Ratio Average Since Previous Examination			42.56%

DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)

LOAN TO DEPOSIT RATIO (continued)

Miners Bank Of Lykens - Net Loans and Total Investments Percent of Total Assets:				
	3/31/96	12/31/95	12/31/94	12/31/93
Net Loans	10,129 37%	10,276 38%	10,339 39%	10,229 38%
Total Investments	15,559 56%	14,735 54%	14,247 53%	14,409 54%
Total Assets:	\$27,719	\$27,075	\$26,784	\$26,852

Source: Uniform Bank Performance Report as of 3/31/96

The bank's historic loan-to-deposit ratio is largely attributed to management's structuring of the bank's balance sheet, the bank's market orientation, and the demographic makeup of MBL's assessment area.

The following chart depicts the bank's loan-to-deposit ratio and asset growth rates over a three-year period:

	12/31/95	12/31/94	12/31/93
Loan to Deposit	42.46%	43.09%	42.41%
Asset Growth	1.09%	No change	1.05%

The flat loan growth is indicative of the general economic condition of the bank's assessment area. According to management, there are no local community development projects that would spur population growth or job creation. The volume of commercial loans reflects the low volume of business activity in the institution's assessment area. Moreover, there is virtually no new real estate construction occurring within the assessment area. MBL's loan-to-deposit ratio is considered reasonable for the purposes of this CRA assessment, given the bank's size, nature and the demographic, economic and competitive factors present in the bank's assessment area.

LENDING IN ASSESSMENT AREA

MBL conducts a quarterly review of the geographic distribution of its credits. This analysis encompasses the bank's primary and secondary lending territories and is presented to the board of directors for review.

The following chart details the geographic distribution, by census tract income, of loan originations within the bank's assessment area since the previous examination. MBL originated a total of 349 credits; 266 or 76%, of which, were within the bank's defined assessment area, while 83 or 24% were originated outside of the assessment area. Additionally, the bank originated a total of seven loans in low-to moderate-income census tracts, two within the low-to moderate-income census tract within its assessment area, and five outside of the bank's assessment area in low-to moderate-income geographies.

DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)

LENDING IN ASSESSMENT AREA (continued)

Geographic Distribution of Loans Within Assessment Area By Product Type								
	Consumer Loans		Commercial Loans		Mortgage Loans		Total Loans	
	#	%	#	%	#	%	#	%
Low-to moderate	2	1%	0	0%	0	0%	2	1%
Middle	231	99%	7	100%	25	100%	263	99%
Total	233	100%	7	100%	25	100%	265	100%

The distribution confirms that the majority of MBL's loans are originated within its assessment area. The directorate is comprised of current and former business persons with established contacts in the community. Moreover, the directorate is a significant source of customer referrals to the bank. Although MBL's lending efforts in low-to moderate-income geographies appear limited, the number of loans to low-to moderate-income persons is significant as described in the following assessment category, Lending To Borrowers Of Different Incomes.

Overall, the bank's performance in this assessment area is considered reasonable and meets the requirements for satisfactory performance under the CRA.

LENDING TO BORROWERS OF DIFFERENT INCOMES

The term, low-to moderate-income refers to family income that is determined to be 80% or less than the median family income for a specific metropolitan statistical area (MSA). Borrower incomes are categorized as follows based on a median family income of \$37,389 for the Harrisburg/ Lebanon/ Carlisle Metropolitan Statistical Area (MSA) in which MBL is located:

Low Income: Less than 50% of the MSA Median Family Income:
Less than \$ 18,694

Moderate Income: 50% to 80% of the MSA Median Family Income:
\$18,694 to \$29,911

Middle Income: 80% to 120% of the MSA Median Family Income:
\$29,911 to \$44,867

Upper Income: Greater than 120% of the MSA Median Family Income:
Greater than \$44,867

DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)

LENDING TO BORROWERS OF DIFFERENT INCOMES (continued)

An analysis of 20 approved consumer installment loan applications sampled and 20 approved mortgage applications recorded on the bank's HMDA Report revealed the following pattern of loans granted to persons of various income levels:

Borrower Income Distribution						
	Consumer Installment		1995 HMDA Report		Total	
	Number	Percent	Number	Percent	Number	Percent
Low	8	40%	5	25%	13	33%
Moderate	5	25%	3	15%	8	20%
Middle	1	.05%	5	25%	6	15%
Upper	1	.05%	7	35%	8	20%
(Income unknown)	5	25%	0	0%	5	12%
Total	20	100%	20	100%	40	100%

Overall, the distribution indicates that 53% of the borrowers sample d are designated as low- to moderate-income. The relatively high volume of low-to moderate-income borrowers is reflective of MBL's efforts to actively market its products and banking services to all demographic segments of its community within the guidelines of safe and sound credit practices.

LENDING TO BUSINESSES OF DIFFERENT SIZES

As noted under the Description of Assessment Area, the assessment area is formerly a coal mining community. Subsequent to the economic downturn of this industry, several manufacturers moved to other geographic areas outside of the MBL's assessment area. As a result, there is a lack of business activity. Nonetheless, the bank has actively pursued credit applications from all commercial and retail segments of its assessment area. A review of the bank's approved credit since the previous examination revealed that of the 348 originations, 151 or 43% were less than \$2,500 each.

Notable commercial loans in the bank's portfolio, originated since the previous examination, include:

- < a commercial mortgage to a commercial greenhouse: \$100,000
- < financing to Lykens Borough for commercial vehicles: \$32,250
- < a commercial mortgage for a multi-family unit: \$48,000
- < financing to a new restaurant in the Borough of Lykens: \$125,000

DISCUSSION OF INSTITUTIONS PERFORMANCE (CONTINUED)

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

MBL generally solicits credit applications from all segments of its assessment area, including low- and moderate-income communities. Management has established adequate consumer and commercial loan policies and lending practices that exhibit a commitment by the bank to evaluate and approve loans without regard to any prohibited basis. A review of credit policies did not indicate any evidence of prohibited discriminatory practices, including pre-screening or the discouragement of applicants for the types of credit described in the most recent CRA statement.